



PLAINWELL SETTLEMENT TERM SHEET

The undersigned Parties to the Kalamazoo River Mediation Agreement met on April 26 and 27, 2006 and reached an agreement in principle to settle certain issues at the Plainwell Impoundment of the Kalamazoo River Superfund Site, as set forth in this Term Sheet. In particular, Millennium Holdings LLC ("MHLLC") and Georgia Pacific Corporation ("GP") will agree to perform and fund a Time Critical Removal Action (the "Removal Action") at the Plainwell Impoundment subject to the following conditions, which conditions are agreeable to the other Parties to this mediation:

1. MHLLC, GP, EPA and the State shall negotiate a mutually acceptable Administrative Settlement Agreement and Order on Consent ("ASAOC") pursuant to which MHLLC and GP shall implement the Removal Action, as described in an Action Memorandum authored by EPA. The ASAOC will attach, as an Exhibit, an engineering design ("the Design") for the Removal Action and shall define the "Work to be Performed" under the ASAOC with reference to the Design. The Design shall be formulated by MHLLC and GP, subject to review and comment by the other Mediation Parties, and approved by EPA as consistent with the Action Memorandum before MHLLC and GP sign the ASAOC.

2. The Action Memorandum and the Design will incorporate the "Arthur" concept and include: (a) construction and operation of water a control structure in the channel to facilitate the removal of in-stream and bank material, which will, in turn, necessitate removal of much of the current dam structure; (b) the removal of two defined mid-channel areas with PCB concentrations in excess of 50 ppm; (c) the investigation and potential removal of a third mid-channel area (near sediment sample PGP 23) if additional sampling reveals concentrations in excess of 50 ppm; (d) the removal of near shore sediments along the bank, with bank cutbacks; (e) the removal of sediments behind the existing dam and the water control structure; (f) to the extent not included in the bank cutbacks, the removal of floodplain soils with PCB concentrations at any depth in excess of 50 ppm, based upon current data; (g) the removal of PCB contaminated soil in excess of 4 ppm from the River's north floodplain near residential properties upstream of U.S. 131, to the extent that the floodplain can be reasonably accessed; (h) disposal of PCB impacted sediments and soils in the Allied OU; and (i) use of excavated clean material as a cap over areas of PCB impacted floodplain soils remaining in the Plainwell Impoundment.

3. The performance standard for the removal of submerged sediments, as outlined in paragraph 2 above, will be either 1 ppm PCB or excavation to a "neat line" representing an elevation of 6 inches above the pre-impoundment channel bottom.

4. The Design will include channel cross sections and plan views showing the extent of channel cutbacks consistent with the horizontal extent delineated in the February 22 proposal. Slopes will be adjusted to provide for a minimum cutback of 30 feet. The Design will specify agreed upon turbidity controls (silt curtains with deflector sheetpile and adaptive management techniques), designed to manage sediment and PCB releases. The Design also will include channel design, revegetation and stabilization, groundwater and other monitoring, and Operation & Maintenance ("O&M") activities.

5. The ASAOC will contain a covenant-not-to-sue for the work performed. The ASAOC also will cap oversight costs for the Removal Action at \$500,000 per year, to be shared between EPA and the State as they agree.

6. The State will contribute \$2 million in forgiveness of past oversight and/or response costs and also will assume ongoing "O&M" activities for the Plainwell Impoundment after the first three years of O&M (the first three years will be performed by MHLLC and GP). The State also will provide Millennium and GP with access to the Plainwell Impoundment for the Removal Action and supplemental RI/FS work referred to in paragraph 8 below. EPA will contribute \$1 million of "Special Account" funds toward the work upon terms to be specified in the ASAOC.

7. EPA, MHLLC and GP will enter into a separate Administrative Settlement Agreement and Order on Consent ("ASAOC") for Supplemental Remedial Investigation/Feasibility Study ("RI/FS") work ("the RI/FS ASAOC"). Upon signing the RI/FS ASAOC and resolving any then outstanding past oversight cost invoices tendered by the State, the 1991 Administrative Order between MHLLC, GP and the State shall terminate.

8. With respect to Plainwell, the Parties shall agree upon a supplemental RI/FS work scope to fill data gaps upstream of the former Plainwell Impoundment and along Portage Creek. Once the Removal Action is completed, the data collected, along with an analysis of residual risk in the floodplains, will be used to perform a Focused Feasibility Study to determine whether additional action is needed in the Plainwell reach. In evaluating residual risk, the Parties agree that a weighted average concentration analysis may be used.

9. In addition to the RI/FS work upstream of the former Plainwell Impoundment, the RI/FS ASAOC will include supplemental work for the downstream reaches, which will be phased to commence after completion of the Removal Action and after the system has had a period to equilibrate.

10. After EPA issues a ROD for the Plainwell reach, MHLLC, GP and EPA will negotiate a Consent Decree, assuming that MHLLC and GP agree to perform any remaining work. The Consent Decree will provide MHLLC and GP with a covenant-not-to-sue at least as favorable as the one contained in the current model RD/RA Consent Decree and will include the entire first reach of the River, including the area addressed by, and work performed during, the Removal Action. If EPA selects a no-action ROD, the Parties will negotiate a cost recovery Consent Decree which will likewise provide MHLLC and GP with the broader RD/RA covenant-not-to-sue. The State also will provide MHLLC and GP with covenant-not-to-sue at least as favorable as the covenant provided in EPA's current model RD/RA Consent Decree.

11. When the Trustees consider natural resource damages for the Plainwell reach, MHLLC and GP will receive credit for any restoration performed as part of, or ancillary to, the Removal Action.

12. MHLLC, GP, EPA and the State will develop a mutually agreeable process for conducting a peer review of the ecological risk assessment work and ecological studies that have been performed to date with respect to floodplain soils.

13. EPA agrees to re-double its efforts to identify and pursue other PRPs at the Kalamazoo River Superfund Site. MHLLC and GP agree to cooperate with EPA in its PRP search efforts.

14. The Parties agree to continue to cooperate regarding the timing and substance of communications to the public.

15. This term sheet is covered by the confidentiality provisions of the Kalamazoo Mediation Agreement.

By signing below, the Mediation Parties confirm that the foregoing reflects the agreements reached by the Mediating Parties.

GEORGIA PACIFIC

Date: _____

By: _____

MILLENNIUM HOLDINGS LLC

Date: _____

By: _____

STATE OF MICHIGAN

Date: _____

By: _____

UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY

Date: _____

By: _____

UNITED STATES DEPARTMENT OF
THE INTERIOR

Date: _____

By: _____

UNITED STATES NATIONAL OCEANIC
& ATMOSPHERIC ADMINISTRATION

Date: _____

By: _____